

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01

TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 /092 W

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R 091750Z MAR 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8651

INFO ALL EC CAPITALS 0033

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DEPT PASS AGRICULTURE

E.O. 1L652: N/A

TAGS: EAGR/FR; EC

SUBJECT: FRENCH REACTIONS TO EC AG MINISTER AGREEMENTS

REF: PARIS TEL 6957

SUMMARY: THE 7.5 PERCENT AVERAGE EC AGRICULTURAL PRICE INCREASE FOR 1976 SEASON WILL RESULT IN A 6.1PERCENT AVERAGE PRICE INCREASE IN FRANCE SINCE FF HAS BEEN RE-EVALUATED 1.4 PERCENT. ACCORDING TO FRENCH MINISTER OF AGRICULTURE, COMPARED TO INITIAL EC COMMISSION PRICE PROPOSALS, MAIN ADVANTAGES OBTAINED BY FRANCE ARE A HIGHER INCREASE OF DAIRY PRICES, SETTLEMENT OF WINE WAR WITH ITALY, CONTINUATION OF INTERVENTION ON NFDI AND MEAT, PRICE HIERARCHY BETWEEN FOOD AND FEED WHEATS.

ON THE OTHER HAND, AVERAGE PRICE INCREASE OBTAINED IS SIMILAR TO ONE INITIALLY PROPOSED BY COMMISSION AND UNDER THE 10.6PER CENT PROPOSED BY FARMERS, WHO MAINTAIN PRICE IN-

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CREASES TOO LOW AND ARE REQUESTING FROM GOF DIRECT AIDS

TO MAINTAIN FARMER REVENUES IN 1976. END SUMMARY

1. ACCORDING TO MINISTER BONNET FINAL AGREEMENT IS A "MIRACLE" SINCE POSITIONS OF SOME EC COUNTRIES WERE ABSOLUTELY OPPOSED. BONNET RECOGNIZED THAT IT WAS A COMPROMISE WITH GOOD AND BAD POINTS FOR FRANCE, BUT HE SAID THAT HE THOUGHT THAT POSITIVE ELEMENTS WERE MORE IN FAVOR OF FRANCE. SINCE BEGINNING OF BRUSSELS NEGOTIATIONS FRENCH DELEGATION RECOGNIZED THAT AVERAGE PRICE INCREASE PROPOSAL WAS TOO LOW BUT THAT MAIN PROBLEMS WERE PROPOSED PROPOSED DAIRY PRICE INCREASE AND WINE SITUATION. SO, FRENCH DELEGATION CONCENTRATED ITS EFFORTS ON THESE TWO AREAS IN ORDER TO EASE THESE SITUATIONS. AS FRENCH LINKED SETTLEMENT OF WINE WAR WITH ITALY TO PRICE NEGOTIATIONS AND BECAUSE OF DRAMATIC SITUATION IN SOUTHERN FRANCE, COUNCIL HAS BEEN PROPELLED TO FIND RAPID FINAL DECISION.

2. FOR BONNET, POSITIVE ASPECTS OF COMPROMISE ON PRICES ARE: A) DAIRY PRODUCTS: PRICE INCREASE WILL BE HIGHER THAN ONE INITIALLY PROPOSED BY COMMISSION AND INTERVENTION ON NFDI WILL BE MAINTAINED. ACCORDING TO MINISTER AVERAGE PRICE INCREASE OF DAIRY PRODUCTS IN 1976 SHOULD BE 7 ABOVE PREVIOUS CALENDAR YEAR;

B) WINE: ITALIAN DISTILLATION AND COMPLEMENTARY MEASURES ARE EXPECTED TO EASE CURRENT FRENCH SITUATION BY REDUCING ITALIAN WINE EXPORTS TO FRANCE. ALSO EC WINE PRODUCERS WILL NOW OBTAIN PRICE GUARANTEE FOR THEIR WINES IF THEY CONTRACT WITH EC FOR LONG-TERM STOCKS. OTHER LONG-TERM MEASURES FOR REORGANIZATION OF WINE STRUCTURES ARE EXPECTED TO BENEFIT FRENCH WINE GROWERS;

C) INTERVENTION HAS BEEN MAINTAINED ON BEEF MEAT;

D) A HIERARCHY OF PRICES HAS BEEN ESTABLISHED BETWEEN

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FOOD AND FEED WHEAT WHICH ACCORDING TO BONNET SHOULD IN LONG TERM REDUCE DEPENDENCE OF FRANCE ON OUTSIDE SOURCES FOR ITS PROTEIN SUPPLY.

3. FOR REMAINING PRODUCTS AVERAGE PRICE INCREASES OBTAINED IS IN SAME RANGE AS ONE INITIALLY PROPOSED BY COMMISSION WHICH HAD BEEN JUDGED TOO LOW BY GOF AND FARMER ORGANIZATIONS. UP UNTIL NOW REACTIONS OF FARMER ASSOCIATIONS HAVE BEEN MILD BECAUSE THEY ARE ANALYZING IMPACT OF PRICE INCREASES ON 1976 FARMER REVENUES. BUT PRESIDENT DEBATISSE (MAIN FARMER ASSOCIATION FNSEA) ALREADY STATED THAT GOF WILL AGAIN HAVE TO ALLOCATE DIRECT AIDS TO FARMERS TO AVOID DECREASING REVENUES IN 1976.

COMMENTS: INITIAL REPRESENTATIVE FARMER ORGANIZATIONS' REACTIONS HAVE BEEN MILD BECAUSE A SHORT TERM SOLUTION TO URGENT AND MOST EXPLOSIVE PROBLEMS OF WINE AND DAIRY PRICES HAS BEEN FOUND. IN THEIR VIEW FRENCH DELEGATION IN BRUSSELS DID ITS BEST TO DEFEND FARMER POSITION. ALSO, THEY SAY THAT IMPACT OF PRICE INCREASE AND OTHER LIMITED OFFICIAL USE

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MEASURES ON FARMER REVENUE MUST BE ANALYZED CAREFULLY BEFORE MAKING FURTHER REACTIONS. HOWEVER, FARM ORGANIZATIONS CERTAINLY FIND PRICE INCREASES TOO LOW AND WILL NOW PROPOSE TO GOF TO ALLOCATE NUMBER OF DIRECT AIDS TO FARMERS DURING 1976. BEFORE TAKING DECISION IN THIS AREA, LONG NEGOTIATIONS WILL OCCUR AND FINAL DECISIONS PERHAPS WILL NOT BE TAKEN UNTIL SECOND HALF OF YEAR WHEN CROP RESULTS AND PRICE SITUATION WILL BE BETTER KNOWN. IF AT THIS TIME A DECLINE IN FARMER REVENUE IS DEFINITELY INDICATED, GOF WILL CERTAINLY BE OBLIGED TO ALLOCATE DIRECT AIDS AS ALREADY STATED BY PRESIDENT

GISCARD AND PRIMINISTER CHIRAC. IN MEANTIME, A CLOSE
COOPERATION IS EXPECTED TO CONTINUE BETWEEN FRENCH RE-
PRESENTATIVE FARMER ORGANIZATIONS AND GOF. MORE DETAILED
DETAILED REPORT ON ANALYSIS OF CURRENT FRENCH AGRICUL-
TURAL SITUATION WILL FOLLOW.
RUSH

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